



Norman H. Bangerter
Governor
Dee C. Hansen
Executive Director
Dianne R. Nielson, Ph.D.
Division Director

State of Utah

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

355 West North Temple
3 Triad Center, Suite 350
Salt Lake City, Utah 84180-1203
801-538-5340

DOGM
MINERALS PROGRAM
FILE COPY

May 11, 1990

TO: Minerals File

FROM: D. Wayne Hedberg, Permit Supervisor *DWH*

RE: Field Inspection, American Consolidated Mining Company, Yellow Hammer Mine, M/045/019, Tooele County, Utah

On May 8, 1990, Wayne Hedberg and Tony Gallegos visited the Yellow Hammer mine site. We met with Mr. Bill Moeller and Ernie Chandler at the site.

At the time of our inspection, a drill rig was active at the site. Angled 4" core holes were being drilled in the bottom of the Yellow Hammer pit. Upon discussions with Mr. Moeller and Mr. Chandler, it was learned that a total of 19 core holes were being drilled as part of the ongoing exploration. The majority of the holes were being drilled in the pit area and in the immediate vicinity of the disturbed area associated with the mine site. However, there were additional holes that had also been drilled outside of the permitted area.

Two holes had been drilled off the permit area, roughly 1500 feet to the west, northwest of the Yellow Hammer pit. The holes were approximately 700-800 feet from the actual disturbed area boundary of the mine site area. Approximately 350 feet of upgraded and new access road had been bladed to access these two drill sites. The road width averaged 12 feet wide.

A third hole had been drilled immediately west of the pit, basically on top of the pit highwall on the western edge of the disturbed area. An additional three holes had been drilled on the east side of the Yellow Hammer pit. Their locations were approximately on the boundary of the eastern edge of the disturbed area, or just outside of it.

Apparently, there had been an extensive magnetic survey performed by the operator just prior to this drilling project. A number of small access roads were noted, that had been lightly scraped to the north, the east and the west of the Yellow Hammer pit. Some of these roads had been used during the exploration phase to

Page 2
Memo to File
American Consolidated Mining
May 11, 1990

provide access to some of the drill sites. The drill pads averaged approximately 40 by 40 feet. None of the holes had been plugged as of the date of our inspection.

Mr. Chandler indicated that 15 of the 19 holes had been drilled, with 4 remaining. Mr. Moeller indicated that approximately 4 more days would be needed to complete the drilling of the project. The intent is to define and better delineate the ore deposit within the Yellow Hammer claims.

According to Mr. Moeller, all of the drilling had been performed on the three Yellow Hammer claims. I indicated to Mr. Moeller that any developmental drilling performed outside of the approved permit area or disturbed area boundary would need to be noticed to the Division. Developmental drilling in and of itself, on or within the approved permit area does not require a notice to the Division. Mr. Moeller had indicated to me the day before our site visit, during a phone call, that some exploration was being performed at the Yellow Hammer site. This was the first that the Division had been notified that any exploration was being conducted in this area.

Mr. Chandler and Mr. Moeller showed us a magnetic survey map with a mylar overlay which had been developed pursuant to the latest magnetic survey. These maps were being used to help determine the locations for the ongoing exploration core hole drilling. Mr. Moeller indicated that Great Lakes Chemical Corporation, a Fortune 400 company, was looking at investing in the property to test their bromide leach circuitry, providing the exploration results prove promising. Mr. Moeller indicated that the chemistry of the ore body at the Yellow Hammer pit, with its high copper content, would be more readily leached through a combination of sulfuric acid leaching, followed with a bromide leach. He indicated that the sulfuric acid leach actually enhanced the bromide recovery of the gold values. Hence, it was more favorable than just the standard cyanide leach.

I indicated to Mr. Moeller that the Division was concerned that, once again, American Consolidated was conducting exploration activities without providing any notice to the regulatory authorities. We were not as concerned about the exploration per se, after viewing it; however, we were concerned that the Division was not notified prior to the initiation of the exploration program.

It is my intent to request an updated map from American Consolidated, preferably at the scale of the magnetic survey map that we viewed while on site. I will ask the operator to identify, on the map, all the core hole locations, both inside the

Page 3
Memo to File
American Consolidated Mining
May 11, 1990

permit area and outside the permit area, as well as the locations of the access roads that were constructed to access these sites.

Also noted during our inspection of the Yellow Hammer mine site and the exploration drilling, were two open shafts that were not fenced or posted in any way to identify the hazard associated with these two openings. I expressed my concern to Mr. Moeller and indicated that we would require that these two openings be posted with adequate warning signs, or that they be fenced to restrict any purposeful or accidental entry into these openings. Mr. Moeller indicated that several signs had been ordered and it is their intent to post these signs at various locations on the property in the very near future.

jb
MNM045019.1